KRS EMPLOYER NEWS

Kentucky Employees Retirement System ● County Employees Retirement System ● State Police Retirement System

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KRS Briefs

NEW PIN Identification Number

The Kentucky Retirement Systems is pleased to announce a new service available to your employees. Those wishing to obtain specific information regarding their account by telephone can do so by completing a Form 1000. This will authorize our staff to issue a Personal Identification Number (PIN). To take advantage of this service, your employees may contact our office for more information. Or, simply print the Form 1000 provided on our website at www.kyret.com. The Form must be completed in its entirety, acknowledged by a notary public and returned to the retirement office. The PIN should arrive at the employee's address on file with our office within 10 days.

$$ Contribution Rates for 2003-2004

The Kentucky Retirement Systems Board of Trustees adopted the following employer contribution rates as a result of the June 30, 2002 actuarial valuation and legislation enacted in the 2003 General Assembly:

- ❑ KERS Non-Hazardous:[1] 5.89%
- ❑ KERS Hazardous: 18.84%
- ❑ SPRS: 21.58%
- ❑ CERS Non-Hazardous: 7.34%
- ❑ CERS Hazardous: 18.51%

These rates will be effective July 1, 2003 through June 30th, 2004.

[1]Rate approved by the 2003 General Assembly. The actuarially recommended rate requested by the KRS Board of Trustees for KERS non-hazardous employers was 7.53%.

KRS Board of Trustees News

Randy J. Overstreet was re-elected as Chair of the Board of Trustees at the April 4, 2003 meeting. Walter Pagan was re-elected Vice-Chair. Mr. Pagan is one of three trustees appointed by the Governor. His term ends March 31, 2004.

In other Board news, Governor Paul Patton reappointed Larry C. Conner to a four-year term ending March 31, 2007. Mr. Conner is Director, Division of Personnel Services, Department of Education.

Retirement Legislation

The 2003 General Assembly

Members of the 2003 General Assembly were faced with the difficult task of addressing several issues important to public employees in the midst of one of the most severe budget shortfalls in state history. Despite the overriding budget concerns, the House of Representatives and the Senate overwhelmingly passed House Bill 461. Many of the provisions of HB 461 allow the retirement systems to comply with recommended changes made by outside counsel to ensure the systems are in compliance with federal law.

In addition to HB 461, the General Assembly passed two other pieces of retirement legislation: HB 430 and HB 224. The following article discusses the changes enacted by the 2003 General Assembly through these pieces of legislation.

Purchasing Service By Installment Payment

Many of your employees choose to purchase service credit by making monthly payments to the retirement systems through either a before tax or after tax installment purchase agreement.

HB 461 contained provisions to allow your employees and their beneficiaries to payoff installment purchase agreements upon death or termination of employment.

Upon termination of employment or death, the employee or beneficiary will be given 60 days from termination or death to payoff the remaining balance of the installment agreement. If the employee or beneficiary chooses not to payoff the contract, the account will only be credited with the amount of service purchased by installments through the termination date.

Employees planning to retire will also be given 60 days from termination to payoff an installment purchase agreement. However, no payment for the remaining balance of the contract can be received after the

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employee's effective retirement date (see example below).

Example: John Doe has an installment purchase agreement and is planning to terminate employment July 31, 2003. He chooses to payoff the remaining balance on the contract and does so on August 10, 2003. Therefore, his effective retirement date will be September 1, 2003.

Reporting Qualified Transportation Benefits

Each month you are required to report and forward employee and employer contribution on the "creditable compensation" earned by your employees. HB 461 contained a provision to include qualified transportation fringes earned on or after January 1, 2001 in the definition of creditable compensation.

Qualified transportation fringes are employer provided benefits that are not included in the employee's taxable income (pre-tax benefit). Examples include *employer provided* transportation in a commuter highway vehicle between the employee's home and office, transit passes, and qualified parking.

Additional information from the IRS about qualified transportation benefits may be found at http://www.irs.gov/pub/irs-pdf/p15b.pdf or by reviewing IRS Regulation 1.132(f).

Insurance Benefits For New Employees

Under the provisions of HB 430, **employees hired July 1, 2003 or after** will be required to earn at least 120 months of service credit before they will be eligible for insurance benefits at retirement. The percentage of the monthly insurance contribution paid for employees hired after July 1, 2003 is provided in the table below.

Insurance Benefits for New Employees
(Hired July 1, 2003 or After)

Months of Service Credit at Retirement	% of Monthly Contribution Paid
0-119 months	0%
120-179 months	50%
180-239 months	75%
240 months or more	100%

The 120 month service requirement will be waived if the employee is disabled in the line of duty or killed in the line of duty. The provisions of the bill also allow the General Assembly to alter the level of insurance benefits for employees hired after July 1, 2003.

Current retirees and employees who have service credit in KERS, CERS, or SPRS will not be affected by this legislation.

School Board Service Credit

Senator Vernie McGaha from Russell Springs introduced an amendment related to service credit for school board employees who have missed work due to weather, illness, or other emergencies. The legislation provides that if a school board elects to lengthen the number of hours in the school day in order to make up for missed instructional time, the additional time worked by employees shall be counted as additional days worked in determining service credit for fiscal year 2002-2003.

If your board of education is affected by this legislation, you will need to contact Trish Tyler at the retirement systems by calling 1-800-928-4646 extension 1352.

Employer Services News

Changes have been made to employer representatives assigned to the different regions around the state. The counties affected by these changes are listed next to the corresponding employer services representative below:

Employer Representative	Counties
Dianne Carr 1-800-928-4646 ext.1325 dianne.carr@kyret.com	Ballard, Calloway, Carlisle, Fulton, Graves, Hickman, Livingston, Marshall, McCracken
Frank Cardoza 1-800-928-4646 ext. 1313 frank.cardoza@kyret.com	Jefferson
John Scahill 1-800-928-4646 ext.1249 john.scahill@kyret.com	Bourbon, Fayette, Harrison, Nicholas, Scott

Working After Retirement

Introduction

Most government employees pursue personal interests after retirement—the reward for their service to the public. Not all do, though. Some employees use retirement to begin a second career. Others return to work for financial reasons. Whatever the reasons might be, there are some things your employees should consider *BEFORE* accepting other employment after retiring. The following is an overview of how reemployment after retirement may affect employees participating in the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS).

Self-Employment or Private Employer

Upon retirement, an employee can *go to work for themselves or for a private company* with no restrictions. No break in employment is required and the additional money earned will not affect their pension benefit.

Example: John Doe retires from KERS and begins farming as a full-time job. The amount earned from farming will not affect his pension benefit from the retirement system.

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Different System

Upon retirement, an employee can go to work full-time for a public agency that participates in a *different retirement system* from the one paying the employee's monthly benefit. No break in employment is required and the additional money earned will not affect their pension benefit.

<u>Example</u>: Jane Doe is retiring from state employment on 08/01/2003 and will draw a benefit from KERS. She can go to work full-time immediately after retirement for the City of Frankfort, which participates in CERS. She will receive her KERS pension benefit and contribute to a second account in CERS as a new employee.

Same System, Different Employer

After being retired at least one calendar month, a <u>**CERS employee**</u> may retire and return to work full-time *for a different employer* participating in CERS.

<u>Example</u>: James Reed retires from CERS where he works as an administrative assistant for the Franklin County Fiscal Court. After one calendar month, James can accept a full-time administrative assistant position with the City of Frankfort who also participates in CERS. He will receive his pension and contribute to a second CERS account from the new position.

Please be aware that a different unit number does not always constitute a different employer in CERS. For example, a fiscal court and a sheriff's department participating in CERS in same county may not be considered different employers.

All agencies participating in KERS are considered to be the same employer (see next section).

Same System, Same Employer

The information in this section addresses full-time employment after retirement with the same employer.

Different Position

If the employee is returning to full-time work in a *different position* for the *same employer*, then a one month break in employment must be observed.

<u>Example</u>: Joe Bates is retiring from a local board of education as a maintenance man. He can return to work full-time with the board as a bus driver after a one calendar month break in employment. He will receive his CERS pension and contribute to a second CERS account.

Same or Similar Position

If an employee is returning to full-time work in the *same or similar position* for the *same employer*, different rules apply depending upon the age of the member at retirement.

Employees *Normal Retirement Age or older* (age 65 for regular employees—age 55 for hazardous duty employees), can return to work in the *same or similar position* after being retired one calendar month.

Employees who are less than Normal Retirement Age at retirement can return to full-time employment in the *same or similar position* after being retired 6 calendar months.

<u>Example</u>: Sara Clarke is a non-hazardous employee participating in KERS. She is age 52 and is employed as an Internal Policy Analyst. She can retire from her position as an Internal Policy Analyst and return to full-time work in the same position after a 6 month break in employment.

What If The Position Is Not Full-Time?

KRS 61.510 (21) and KRS 78.510 (21) provide that *<u>every</u>* position is ***regular full-time*** and should be reported to the retirement office except for the following positions:

<u>**Non-Participating Positions**</u>

- Seasonal
- Part-Time
- Interim*
- Emergency
- Temporary
- Independent Contractor

**Only applies to KERS employees.*

Positions that average 100 or more hours per month are considered regular FULL-TIME for retirement purposes, except for employees of school boards who are considered full-time if they average 80 hours per month represented by the days worked.

If an employee retires and returns to work in a non-participating position, they do not have to be reported to the retirement system and no break in employment is required. However, each position is regulated by state statute and is limited to a particular number of months. If an employee works longer than the months specified by statute, the employment will be treated as regular full-time and the employee will be subject to the requirements previously discussed.

<u>Employee Vs. Independent Contractor:</u> True independent contractors do not have to be reported to the retirement office. However, before you hire someone as an independent contractor or under a personal service contract, you must submit contracts to the retirement office c/o Jennifer Steele for review. Under state law, Kentucky Retirement Systems has final authority to determine whether a person is an employee or an independent contractor.

Not Observing The Required Break

If an employee returns to work full-time in the <u>**same system**</u> within one calendar month after retirement, the employee's retirement will be voided and the employee will be required to repay the retirement system all the

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benefits received in error.

Additional rules apply to employees who are less than Normal Retirement Age and return to work in the same or similar position for the same employer. If the employee returns to work after a 1 month break, but before the required 6 month break in employment, the employee's retirement benefit will be suspended and the employee will be required to repay the retirement system all the benefits received in error during the six month period.

Employee Responsibilities

Any time an employee is planning to retire and return to work in the same system, the employee should contact the retirement office.

Employees planning to retire and return to work for the same employer must submit job descriptions for their current position and the position they are planning to take after retirement. Doing so ensures the employee is observing the appropriate break in employment before returning to work after retirement thus preventing any loss in benefits.

Overview

An employee can return to work **immediately** after retirement in a full-time position if:

- The new position is with a private company or through self-employment.
- The new position participates in a different retirement system than the one paying the member's monthly benefit.
- The new position is not required to participate in the retirement systems.

An employee can return to work after a **one month** break in employment in a full-time position if:

- The employee is retiring from CERS and returning to work with a different CERS Employer.
- The employee is retiring and returning to work for the same employer in a different position.
- The employee is Normal Retirement Age or older and returning to work for the same employer in the same position.

An employee can return to work after a **six month** break in employment in a full-time position if:

- The employee is *less* than Normal Retirement Age and returning to work for the same employer in the same position.

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